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April 15, 2004

T.R.A. DOCKET ROOM

The Honorable Deborah T. Tate, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Nashville Gas Company, Docket No. 99-00207

Dear Chairman Tate:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying quarterly report of shared gas cost savings for the period July 1, 2003, through January 31, 2004.

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$3,180,535. Under the Plan's sharing formulas, \$1,614,262 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,566,273, of the gains and savings is reflected as the Company's share.

Detailed calculations supporting the amounts shown on the summary are provided in this filing subject to the execution of non-disclosure agreements.

I am enclosing one additional copy of the summary that I would appreciate your stamping "filed" and returning to me in the enclosed envelope.

Sincerely,

David R. Carpenter  
Director of Rates

Enclosures

c Russell Perkins, Deputy Attorney General

# Report on Nashville Incentive Plan July 2003 - June 2004

Month	Year	Gas Procurement	Nashville	Ratepayer	Capacity	Nashville	Ratepayer	Total	Nashville	Total
		Incentive Mechanism Gain/(Loss) 1/	GPI Sharing Gain/(Loss) 2/	GPI Sharing Gain/(Loss)	Management Incentive Mechanism Gain/(Loss)	CMI Sharing Gain/(Loss) 3/	CMI Sharing Gain/(Loss) 3/			
July*	2003	\$ (16,267)	\$ -	\$ (16,267)	\$ -	\$ -	\$ -	\$ (16,267)	\$ -	\$ (16,267)
August*	2003	\$ (23,376)	\$ -	\$ (23,376)	\$ -	\$ -	\$ -	\$ (23,376)	\$ -	\$ (23,376)
September*	2003	\$ (31,606)	\$ -	\$ (31,606)	\$ -	\$ -	\$ -	\$ (31,606)	\$ -	\$ (31,606)
October*	2003	\$ (33,692)	\$ -	\$ (33,692)	\$ 1,519,069	\$ 648,766	\$ 870,304	\$ 1,485,378	\$ 648,766	\$ 836,612
November*	2003	\$ (78,984)	\$ -	\$ (78,984)	\$ 40,667	\$ 20,334	\$ 20,334	\$ (38,317)	\$ 20,334	\$ (58,651)
December*	2003	\$ 1,778,368	\$ 812,990	\$ 965,378	\$ 168,911	\$ 84,455	\$ 84,455	\$ 1,947,279	\$ 897,445	\$ 1,049,834
January*	2004	\$ (142,012)	\$ -	\$ (142,012)	\$ (543)	\$ (272)	\$ (272)	\$ (142,555)	\$ (272)	\$ (142,283)
February	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
March	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
April	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
May	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
June	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 1,452,431	\$ 812,990	\$ 639,441	\$ 1,728,104	\$ 753,283	\$ 974,821	\$ 3,180,535	\$ 1,566,273	\$ 1,614,262

1/ The monthly gain or loss set forth in this column reflects total gains or losses calculated under the gas procurement mechanism, including gains or losses within the one percent deadband

2/ Nashville GPI sharing reflects 50% of gains or losses calculated under the gas procurement mechanism after application of the one percent monthly deadband

3/ Nashville sharing percentages range from 0% (up to 1% of annual demand savings), to 10% (1% - 2% savings), to 25% (2% - 3% savings), and to 50% (> 3% savings). Total capacity demand costs for the period are based on estimated annual costs for the plan year. These sharing amounts shall be adjusted based on the actual demand costs incurred, taking into account refunds or surcharges from pipeline and storage supplies (See Service Schedule No. 14, page 5)

4/ Nashville is subject to a cap on overall gains or losses of \$1.6 million annually. Any gains above this cap will be reflected in the Total Ratepayer Gain/(Loss) column